



St. Helens Council

Audit Report 2011 / 12

Merseyside Waste Disposal Authority

Waste Disposal Contract – Review of Final Claims 2009/10 – 2010/11.

Contents

- Executive Summary
- 1. Objectives
- 2. Conclusions & Recommendations
- 3. Action Plan

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St. Helens Council

EXECUTIVE SUMMARY

Merseyside Waste Disposal Authority

Waste Contract – Review of Final Claims 2009/10 – 2010/11.

Scope

Merseyside Waste Disposal Authority (MWDA) has entered into a Service Level Agreement (SLA) for St Helens Council to provide its annual internal audit coverage for the period April 2011 to March 2012. This report summarises the results of recent audit work undertaken with a view to providing an assurance as to the accuracy of the Final Claim payments to Veolia for the financial years 2009/10 and 2010/11.

The 2009/10 claim was subject to protracted negotiation with Veolia, hence the late completion of the Final Account.

Background

Waste Management and Recycling Contract

Under the Waste Management and Recycling Contract (WMRC), Veolia Environmental Services are responsible for the management of waste at:

- i. The four transfer stations;
- ii. The operation from the recycling and transporting of waste at the fourteen HWRC's;
- iii. The MRF at Bidston, arranging for the recycling to be sold; &
- iv. The transport costs of moving the waste / recycle material out of various sites and to their required destinations.

Landfill Contracts

MWDA currently disposes of waste via three landfill disposal contracts. One of these contracts (3C Arpley Contract) is provided by Merseyside Waste Holdings Ltd (MWHL). The following summarises the three landfill contracts currently in place:

- i. 3C Arpley contract (up to 370,000tpa) between Waste Recycling Group (WRG) accessed and MWHL;
- ii. Landfill Services Contract (Top up contract to 3C Arpley Contract) between WRG and MWDA; &

- iii. Landfill Services Contract between Sita UK Ltd and MWDA for disposal of Cement Bonded Asbestos (Hazardous Waste).

At year-end Veolia are required under the WMRC to provide information to support recycling and diversion performance achieved during the contract year and associated recyclable material income. This information supports any bonus payments and/or deductions and any monies due to MWDA under the WMRC.

The following tables detail contract values:

Period Covered	Contract	Annual cost of Waste Mgt Contracts for (June to March) 2009/10 Excluding VAT
June 2009 to March 2010	WMRC	14,285,491
June 2009 to March 2010	Landfill 3"C" Contract (up to 370,000 tpa)	14,694,151
June 2009 to March 2010	Landfill Top Up Contract	6,795,462
June 2009 to March 2010	Hazardous Waste Contract	12,517
Total		35,787,621

Period Covered	Contract	Annual cost of Waste Mgt Contracts for (April to March) 2010/11 Excluding VAT
April 2010 to March 2011	WMRC	17,203,620
April 2010 to March 2011	Landfill 3"C" Contract (up to 370,000 tpa)	11,085,732
April 2010 to March 2011	Landfill Top Up Contract	16,711,790
April 2010 to March 2011	Hazardous Waste Contract	20,244
Total		45,021,386

Audit Opinion

In our opinion, appropriate key controls are in place and are operating effectively with regard to the management of the various waste contracts. Testing confirmed that there are appropriate controls in place to ensure that payments made are in accordance with the rates, terms and conditions of the relevant contract. Although we have made one recommendation, it does not represent significant weakness within the existing control framework or indicate that the interests of MWDA and other stakeholders are open to undue risk.

Key Issue

No key issues were identified during this review.

Agreed Action

There are no recommendations arising from this review.

INTERNAL AUDIT REPORT

9
Appendix 1

Merseyside Waste Disposal Authority

1.0 Objectives

To review the controls in place for the final claim payments for financial years 2009/10 and 2010/11, with a view to providing assurance that payments made under the following contracts are accurate, legitimate and accounted for appropriately:-

1. To confirm the accuracy of the final claim process for 2009/10 for the WMRC (Veolia Contract);
2. To confirm the accuracy of the payment process for 2010/11 for the WMRC (Veolia Contract).

2.0 Conclusions & Recommendations

2.1 Control Objective – To confirm the accuracy of the final claim process for 2009/10 for the WMRC (Veolia Contract).

- 2.1.1 Testing confirmed that this control objective was achieved, but protracted negotiations were required to agree the year-end adjustments due to it being the first year of the contract. The Contract Manager confirmed that Veolia had difficulties during the final payment process and were initially unable to reconcile key data until later in the financial year.
- 2.1.2 This resulted in the final claim being forwarded to MWDA late. On receipt of the claim, there were a number of anomalies identified by MWDA that required further investigation resulting in further delays.
- 2.1.3 In order to verify accuracy of the final claim, we have relied on testing we carried out in April 2010 and Dec 2010. The reason for the reliance on the early work is because we had confirmed the accuracy of the monthly bills for August / September 2009 and January 2010 which forms part of the final claim.
- 2.1.4 The final claim was only agreed between both parties in December 2010 and an invoice forwarded to MWDA by Veolia on the 4th of January 2011.
- 2.1.5 Examination of each of the claims confirmed that for each claim tested, the established 14 point check list had been completed by the Performance Report Officer who had signed and dated to confirm when each check had been completed. We noted evidence that anomalies had been followed up and resolved with the contractor. We confirmed based on sample testing that the checks had been undertaken accurately.
- 2.1.6 Testing confirmed that the contract rates applied were correct and that tonnages, deductions, etc are properly verified.
- 2.1.7 The payment certificates within our sample had been subject to the application of the control grid stamp to confirm appropriate checks and certification prior to payment.

Following our last review where recommendations to the verification of the claim were identified, the Contract Manager is now signing and confirming that he has checked and agreed the calculations/payments.

- 2.1.8 We confirmed that Veolia had submitted a summary statement for the period June 2009 to March 2010. All figures from the monthly statements had been calculated correctly and recorded on the summary statement. Individual calculations were checked to the payment schedule and we confirmed the correct rates had been applied.
- 2.1.9 Pursuant to the WMRC's conditions it was necessary to adjust the contract rates in accordance with the final TUPE list which represented the transferring of staff to Veolia at the commencement of the WMRC. In accordance with the WMRC the rates were duly agreed by MWDA and Veolia.
- 2.1.10 On applying the new rates, which determined monies due to Veolia were above monies due to MWDA (following calculation of bonuses, deductions and income due under the Contract) the net year end adjustment was calculated. However MWDA and Veolia agreed at the time that year end payment to Veolia would be zero and subsequently an invoice for zero value was raised by Veolia. MWDA has made year end Creditor provision in the event that Veolia make a claim for the outstanding monies due to them.

2.2 Control Objective - To confirm the accuracy of the payment process for 2010/11 for the WMRC (Veolia Contract).

- 2.2.1 This control objective is being met.
- 2.2.2 Again in order to place reliance on the claims made during the financial year, we sample tested three months claims to verify that they were accurate.
- 2.2.3 Testing of the following months May 2010, September 2010 and February 2011, confirmed that appropriate procedures / checks had been undertaken and any anomalies identified, discussed and resolved with the Veolia staff.
- 2.2.4 During the financial year the new TUPE rate was applied. The review confirmed that the year-end expenditure statement consisted of the twelve monthly expenditure statements. Testing of the data confirmed they were accurate.
- 2.2.5 We noted that the Assistant Contract Manager had verified that the performance calculations were correct and that the correct rates had been applied.
- 2.2.6 Testing confirmed an invoice for the year-end adjustment for income and contract performance was included in the May 2011 invoice.

